

Facts & Highlights

The following are statistics, facts, and highlights of information relating to California's agricultural and dairy industries. California has been the leading state in agricultural production for over 50 years and sales of milk and cream are an important commodity for California, generating \$3.8 billion in 2002.

Rankings

- California ranked first in milk production in the U.S., followed by Wisconsin, New York, and Pennsylvania.
- California continues to lead the nation in the production of butter, nonfat dry milk, ice cream, cottage cheese, and whey protein concentrate.
- California led the nation in the total number of dairy cows at 1.6 million cows and had the highest average herd size at 776 cows per dairy.
- California ranked fourth in milk production per cow at 20,904 pounds per year, following Arizona, Washington, and Colorado.

Facts, Tidbits, and Highlights

- California produces one out of every five glasses of milk in the U.S.
- Approximately 44 percent of the milk produced in California is used to make cheese (it takes ten pounds of milk to make one pound of cheese). California produces approximately one out of every five pounds of cheese produced in the U.S.
- The five leading counties in milk production (Grade A) for 2002 were, in ranking order: Tulare (26 percent), Merced (14 percent), Stanislaus (10 percent), San Bernardino (10 percent), and Kings (8 percent). These five counties accounted for 67 percent of California's total milk production.
- Sales of fluid milk in California average 39 percent whole milk, 31 percent reduced fat milk, 14 percent lowfat milk, and 14 percent skim milk.



Dairy Marketing Branch

916/341-5988

www.cdfa.ca.gov/dairy

Recorded Milk Prices

(916) 442-MILK or (800) 503-3490

Economics/Pricing

Eric Erba

eerba@cdfa.ca.gov

Tom Gossard

tgossard@cdfa.ca.gov

Cost of Production

Candace Gates

cgates@cdfa.ca.gov

Manufacturing Costs

Ed Hunter

ehunter@cdfa.ca.gov

Statistics

Karen Dapper

kdapper@cdfa.ca.gov

Pool Operations

Don Shippelhouse

dshippelhouse@cdfa.ca.gov

The Dairy Council of California

916/263-3560

www.dairycouncilofca.org

California Milk Advisory Board

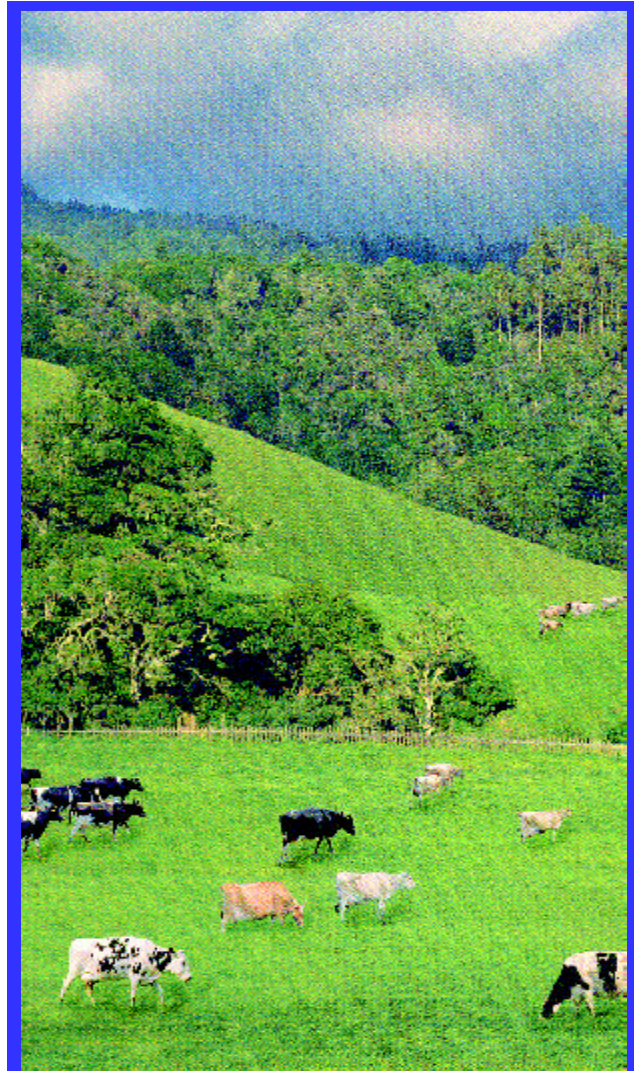
415/871-6455

www.calif-dairy.com

California Fluid Milk Processor Advisory Board

510/883-1085

www.gotmilk.com



A Look at California's

Dairy Industry

2002

A Look at California's Dairy Industry in 2002 . . .

California's Place in the U.S. Dairy Industry

California milk and dairy product production continue to roll forward. During a year of uneventful weather patterns and steady (although more costly) energy availability, milk production soared to nearly 35 billion pounds. To put that figure into perspective, consider this — California's milk production in 2002 was greater than the combined milk production of Idaho, Michigan, Minnesota, New Mexico and Texas. Tulare County, the leading milk producing county in California at nearly 9 billion pounds per year, produced more milk than any of these states. From 2001 to 2002, California's milk production increased by 1.67 billion pounds; the increase alone was greater than the total production of 21 states!

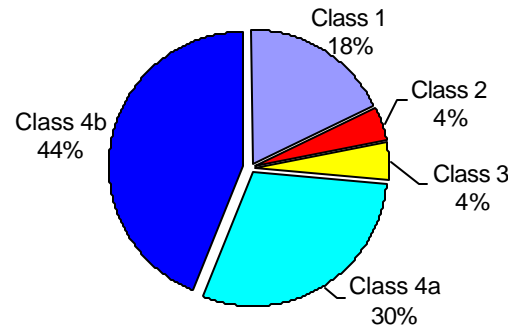
California is more than the leading milk producing state. It also leads all other states in production of butter, nonfat powder, cottage cheese and ice cream. While Wisconsin leads all states in cheese production, California appears poised to take over the top spot in the near future. In the last 10 years, California cheese production has more than doubled. Currently, California has a 20.4% share of the U.S. cheese market and is rapidly closing the production gap between the two states.

Production of Milk and Dairy Products

After low to moderate milk production increases in 2001, California dairies responded with strong and steady increases throughout 2002. In August 2001, milk production increased by 5 percent relative to the prior year. In contrast, milk production increased by 5 percent or more in six months during 2002. The annual total for 2001 might have suggested that California milk production was beginning to slow, but

the monthly data tell a different story. In fact, milk production actually gained momentum throughout 2001 and into 2002. From August 2001 through December 2002, milk production increased an average of 4.9% per month. In 2002, Tulare, Merced, Stanislaus, San Bernardino, and Kings counties accounted for two-thirds of the milk produced.

Utilization of Milk in California, by Class, 2002



For the most part, milk utilization during 2002 continued to reflect recent trends. Production of butter, nonfat powder, and cheese continued to play prominent roles in how plants converted the increasing milk supply into dairy products. Cheese led all classes in utilization on a total solids basis; 44% of the total solids produced were used to produce cheese. While six varieties of cheese have significant production in California (there are a total of 200 varieties), mozzarella, Cheddar and Jack cheeses represent more than 87% of all cheese produced. Butter and nonfat powder production stalled briefly in 2001 but have rebounded to regain the volume lost last year. Combined, butter and nonfat powder accounted for 30% of all milk solids produced in 2002. Nonfat powder has posted the most significant production gains across all dairy products, increasing by nearly 50% since 1998 and 9% over 2001 totals. Milk used for fluid purposes (Class 1) has apparently reversed a trend of making very small gains or losses

from year to year. In 2002, Class 1 sales increased by 1.8% on a total solids basis, relative to 2001. This represents the largest gain in Class 1 sales in 13 years.

Milk Prices

Unfortunately, low farm milk prices are being experienced at the same time that milk production is surging. The low farm prices reflect the current imbalance between the milk supply and commercial demand for milk and dairy products nationwide. Class 4a prices have been hovering near the high \$9 to low \$10 per hundredweight range while the Class 4b prices have been fluctuating between the high \$8 and low \$10 per hundredweight range. August and September marked the first time since 1991 that the prices for both Class 4a and 4b were below \$10 per hundredweight in consecutive months. The overbase price was less than \$10 per hundredweight in six of the last seven months of 2002.

The available commercial dairy product sales data suggest the imbalance of milk supply with dairy product demand is not likely to improve anytime soon. Furthermore, the increasing purchase of surplus dairy products by the federal government's Commodity Credit Corporation (CCC) is another example of the national market imbalance. Sales of nonfat powder to the CCC have been commonplace for many years, but the recent purchases of Cheddar cheese and butter are harbingers that attaining a desirable equilibrium in wholesale markets may still be months away.

Low farm milk prices across the U.S. have been offset somewhat by the federal payments to dairy farmers through the Milk Income Loss Contract program and various disaster relief packages. These programs have an ambivalent quality about them. While dairy producers welcome the additional income, the payments tend to blunt the market signals that suggest that milk production must fall in order for milk prices to rise.